

DEPARTMENT OF TRANSPORTATION**AUDITS AND INVESTIGATIONS**

1304 O STREET, SUITE 200
P. O. BOX 942874 – MS 2
SACRAMENTO, CA 94274-0001
PHONE (916) 323-7111
FAX (916) 323-7123
TTY: 711



*Flex your power!
Be energy efficient!*

June 18, 2009

Ms. Sally DeGeorge
Chief Financial Officer
Ventura County Transportation Commission
950 County Square Drive, Suite 207
Ventura, CA 93003

Re: Ventura County Transportation Commission - Indirect Cost Rate Proposals.
File Number: P1591-0033

Dear Ms. DeGeorge:

We have reviewed your requests to allow the Ventura County Transportation Commission (VCTC) to bill the Department of Transportation (Department) indirect costs for fiscal years (FYs) 2002/2003, 2003/2004, 2004/2005, 2005/2006, 2006/2007, 2007/2008 and 2008/2009. We also reviewed the Federal Transit Administration (FTA) approval letter dated June 13, 1996, approving the FY 1996/1997 Cost Allocation Plan for the VCTC. This plan included the proposed rate for the VCTC for FY 1996/1997. It is our understanding that the FTA relies on Circular 5010.1D in its approval of indirect cost plans for its cognizant agencies. The FTA interpretation of the Office Management and Budget Circular A-87, codified as 2 Code of Federal Regulations (CFR) Part 225, allows the FTA to extend their approval of cost allocation plans to future periods.

We found that the methodology VCTC used to develop the indirect cost rate proposal's (ICRP) for the seven FYs appears consistent, however, the Department's Audits and Investigations (A&I) has concerns the VCTC's methodology deviates from the requirements of 2 CFR Part 225. Specifically:

- Costs per the ICRP are not separately identified as indirect and direct and did not reconcile to the audited financial statements as various costs were combined into one account.
- VCTC billed and received reimbursement for overhead costs incurred in the FYs noted above without an approved ICRP for these years. VCTC should not bill any overhead costs to the Department until the ICRP rates have been approved by the Department.

- During our detail testing, it appeared the VCTC for all seven FYs included some unallowable costs in their indirect cost pool. VCTC should review all costs in the indirect pool to ensure costs are allowable.
- VCTC for FY 2008/09 resubmitted a revised ICRP due to unallowable costs included in their FY 2006/07 indirect cost pool used to calculate the FY 2008/09 carry forward and ICRP. This resulted in an overstated rate. VCTC should revise their previous billings that charged indirect costs to the Department using the revised FY 2008/09 ICRP.

However, since the FTA is your cognizant agency the Department defers to FTA the approval of your ICRPs and will allow the VCTC to bill indirect costs rates as follows:

<i>Effective Period</i>	<i>Rate</i>
FY 2002/03	24.74%
FY 2003/04	23.54%
FY 2004/05	25.32%
FY 2005/06	27.35%
FY 2006/07	25.85%
FY 2007/08	21.32%
FY 2008/09	28.20%

Please retain a copy of this letter with your indirect cost rate proposals. Copies of this letter were sent to the Department's District 7, the Department's Division of Accounting, the Federal Highway Administration, and the FTA. If you have any questions, please contact Amada Maenpaa, Audit Manager at (916) 323-7868.

Sincerely,

MARYANN CAMPBELL-SMITH
Chief, External Audits

- c: Brenda Bryant, Director, Financial Services, Federal Highway Administration
Sue Kiser, Director, Planning and Air Quality, Federal Highway Administration
Leslie T. Rogers, Regional Administrator, Federal Transit Administration
Dan Mundy, Branch Chief, Rural Transit and Procurement, Division of Mass
Transportation
Jenny Tran, Associate Accounting Analyst, Local Assistance Accounting Branch,
Division of Accounting
David Saia, Transportation Engineer, Local Assistance Policy & Quality Assurance,
Division of Local Assistance
Kirk Cessna, Local Assistance Engineer, Planning and Local Programs, District 7
Morteza Estebari, Associate Transportation Planning, District 7